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Rewald's attorney grills Kindschi on firm's CIA ties

By Walter Wright
 Advertiser Staff Writer

Ronald Rewald's attorney hammered at a key prosecution witness all day yesterday, suggesting that ex-CIA agent John Kindschi was too smart to be ignorant of Rewald's misrepresentations and that Kindschi tried to use a CIA cover operation to enrich himself.

Kindschi admitted that he rode the Bishop Baldwin gravy train first class until it crashed, earning 70 percent on one investment and drawing pay that topped \$7,000 a month and included perquisites such as a new car and a liberal travel allowance.

But Kindschi denied that Bishop Baldwin was a CIA cover operation and insisted he believed Rewald's claims about the company and its investments to the end.

Rewald admits taking money from investors under false pretenses, but says he did it to maintain CIA cover as a wealthy businessman and in the belief the CIA would reimburse the money.

Kindschi said it was a "bald-faced lie" to suggest that he hid behind a CIA cover to line his own pockets at Bishop Baldwin.

The money he got, Kindschi said, turned out to be his own, and far from all of what he invested for himself and his mother.

His own testimony and prosecution and defense documents showed Kindschi to be involved

with Rewald personally and financially long before Kindschi retired from the CIA and at a time when Rewald was being used at least to provide "back-stop" cover for other CIA personnel through a phony company located in Bishop Baldwin offices.

But Kindschi said he knew of no CIA regulation prohibiting his actions.

Two other Bishop Baldwin consultants were identified yesterday as having had some links to the CIA while on the Bishop Baldwin payroll.

Kindschi, who once stood eyeball to eyeball with the Soviets in undercover operations in Europe, testified he probably dropped his guard when he came home to America to work in the CIA's overt, public "Domestic Collections Division," ultimately running the CIA's one-man public office in Honolulu.

Kindschi admitted he was probably "premature" in accepting a free car from Rewald a few weeks before he actually retired from the CIA in July 1980.

But he said he understood the car, and draws of \$1,000 a month which he began receiving in 1980, were related to his earlier \$47,000 investment in and potential employment with another Rewald venture, Inter-Pacific Sports.



John Kindschi
 "Here to tell you the truth"

The New York Times Advertiser Wednesday, August 28, 1985

Later, the draws gave way to monthly paychecks from Bishop Baldwin itself, Kindschi said, and had reached \$4,000 a month in January 1983. That money was paid whether Kindschi did any actual work as a "consultant" or not, he acknowledged. Any actual work he did — such as rewriting a brochure and press release and drafting quarterly reports on the economy — was billed at \$60 an hour.

Deputy Federal Public Defender Brian Tamaraha confronted Kindschi with letters he'd received in which others questioned Bishop Baldwin's claim of \$150,000 insurance from the Federal Deposit Insurance Corp. (FDIC).

The FDIC in fact insures deposits only to \$100,000, and then only in banks.

But Kindschi said that despite his background as a high school economics teacher, despite his wide reading of financial journals and despite others' persistent questions, he still accepted Rewald's assertion that somehow the FDIC would bail out investors up to \$150,000 if Bishop Baldwin should ever go bankrupt.

So, he added, did a lot of other professionals who invested with and/or worked for the company.

Kindschi also said he believed Rewald's representations that the company was an old one, even though he knew it had been incorporated in what he thought was its latest incarnation only in 1972.

Although Bishop Baldwin itself was not a cover company for the CIA, Kindschi said, there were "equities" and "sources and methods" to be protected when it collapsed.

That was why he initially evaded questions from some investigators, Kindschi said.

But now, Kindschi said, "in this particular case the sources and methods have gone by the board, my secrecy oath has been waived, negated, and I am here to tell you the truth."

The CIA nevertheless is still attempting to protect some of its sources and methods which were threatened with exposure by the Rewald affair.

Hundreds of classified documents sought by the defense in the criminal case have been ruled irrelevant by U.S. District Judge Harold Fong and many of those that have been admitted in evidence have large areas blacked out.

One of the sources has been identified as "John Doe 14," a CIA contract agent winding down his career when he joined Bishop Baldwin just three months before retiring from CIA work.

Kindschi denied on cross-examination that he had "directed" Rewald to hire John Doe 14. He acknowledged that a special set of Bishop Baldwin brochures was sent to John Doe 14, omitting Kindschi's own name as a consultant.

Those circumstances — and Rewald's own private claims — suggest that John Doe 14 is Charles Conner, the man hired as Bishop Baldwin's consultant in Sweden and a man Kindschi said he knew "socially" when Kindschi was working undercover in Sweden.

John Doe 14 is the first person mentioned so far in the case as having worked for pay for the CIA and Bishop Baldwin at the same time.

But the government says the CIA's relationship to John Doe 14 was not related to Bishop Baldwin, that the CIA did not ask Rewald to use or hire him for any CIA activity and that the CIA in fact was unaware of John Doe 14's activities for Bishop Baldwin until after it collapsed.

A CIA relationship with yet another Bishop Baldwin consultant, Capt. Edwin "Ned" Avary, was suggested by the defense in cross-examination of Kindschi yesterday.

Kindschi denied having had previous CIA-related contact with Avary, but Tamaraha produced a document purportedly showing Avary had been checked out for use by the CIA as early as March 1973.

Avary, a former Pan American World Airways pilot and an inveterate traveler in his retirement, confirmed in an interview last night that he had done "volunteer work" for the CIA, "like a hell of a lot of other people. I was what they call a walk-in," he said.

• Tuesday, August 27, 1985 A-3 **Star-Bulletin**

Rewald Defense Grills Ex-CIA Official

*Kindschi Asked to Explain Payments for
Consultant Work at Investment Firm*



Jack Kindschi
Questioned by the defense

By Charles Memminger
Star-Bulletin Writer

Ronald Rewald's lawyer this morning continued questioning former CIA office chief Jack Kindschi about money he received from Rewald while Kindschi was still working for the CIA.

The questioning is an apparent attempt to chip away at Kindschi's credibility by highlighting discrepancies in his testimony.

Rewald is on trial, charged with fraud and perjury counts stemming from the operation of his investment company, Bishop, Baldwin, Rewald, Dillingham & Wong.

At the heart of the defense case is the allegation that the CIA set up and ran Rewald's company, then tried to cover its tracks when the company collapsed in 1983.

Kindschi, the second CIA field

office chief that Rewald came to know, went to work as a consultant for Bishop, Baldwin when he retired from the agency.

Kindschi said during questioning by Assistant U.S. Attorney John Peyton that he first began receiving money from Rewald in March 1981.

Deputy Federal Public Defender Brian Tamanaha, however, produced checks going back to 1979 showing that Kindschi received more than \$12,000 from Rewald.

KINDSCHI stressed again this morning that he had gotten his dates confused and said he had assumed he did not get paid by Rewald until he joined the company in 1981.

He said he did receive \$1,000 a month checks but thought they were "draws" from his \$47,000 investment in Rewald's sporting goods stores.

This morning, Kindschi conceded that Rewald had given him a leased car in June 1960, a month before Kindschi retired from the CIA.

"He was quite insistent that I take the car," Kindschi said. "I took it to pacify him."

Tamanaha asked Kindschi if he thought it was unethical to take a car while still a CIA employee. Kindschi replied that he was not aware of any regulations prohibiting it. Besides, Kindschi said, he already had submitted his resignation.

Kindschi, who made about \$50,000 a year as a CIA employee, said it did not bother him that the \$1,000 checks he received from his sporting goods investment were written on Bishop, Baldwin checks and not the sporting goods account.

"In my mind, it came out of the same pot bowl," he said.

Tamanaha also question

Kindschi's memory concerning the submission of CIA security checks for Rewald employees. Kindschi said he remembered asking that a "name check" be run on Sue Wilson, Rewald's secretary and office manager, on July 8, 1960.

BUT HE SAID he did not remember sending a similar request for consultant Ned Avary on the same day.

Rewald claims that Avary, a former military and civilian pilot, participated in a number of CIA-related projects out of the Bishop, Baldwin offices, including attempting to set up a military arms deal with Taiwan.

Avary has denied that.

Kindschi said he did not suggest that Rewald hire Avary. He also said he did not meet Avary until 1962.

Tamanaha, however, produced the "name check" form that was

sent to CIA headquarters in Washington, D.C., from the Honolulu field office in July 1960. Kindschi was head of the office at the time, but was in the process of turning it over to his successor, Jack Rardin.

Avary's "name check" also shows that he had been cleared by the CIA as a contact in March 1973.

Avary denied in an interview with the Star-Bulletin last year that he had ever done any work for the CIA.

Kindschi said he has no recollection of preparing or sending in Avary's CIA name check.

A similar name check was sent in for Rewald, which resulted in him being cleared to receive secret information. That name check failed to turn up that Rewald had lied about his college background, that he had been bankrupt and that he had a theft conviction in Milwaukee.